

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: Bloomfield Township Public Library	County: Oakland
Audit Date March 31, 2005	Opinion Date May 5, 2005	Date Accountant Report Submitted To State: June 30, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>Plante &amp; Moran, PLLC</b>			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034
Accountant Signature 			

# **Bloomfield Township Public Library**

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**Financial Report  
with Supplemental Information  
March 31, 2005**

# **Bloomfield Township Public Library**

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## Independent Auditor's Report

To the Board of Directors  
Bloomfield Township Public Library

We have audited the accompanying financial statements of governmental activities and each major fund of the Bloomfield Township Public Library (a component unit of the Charter Township of Bloomfield) as of and for the year ended March 31, 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Bloomfield Township Public Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position and changes in financial position of Bloomfield Township Public Library as of and for the year ended March 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

The required supplemental information, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. The required supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The management's discussion and analysis identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

*Plante & Moran, PLLC*

May 5, 2005

# **Bloomfield Township Public Library**

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## **Library Management's Discussion and Analysis Fiscal Year April 1, 2004 through March 31, 2005**

### **Using This Annual Financial Report**

This annual report consists of three parts:

- Library management's discussion and analysis (MD&A)
- Basic financial statements, audited by Plante & Moran, PLLC
- Supplemental Information

The MD&A is intended to serve as an overview analysis of the financial condition and operating results of the Library.

Please direct questions regarding this report to:

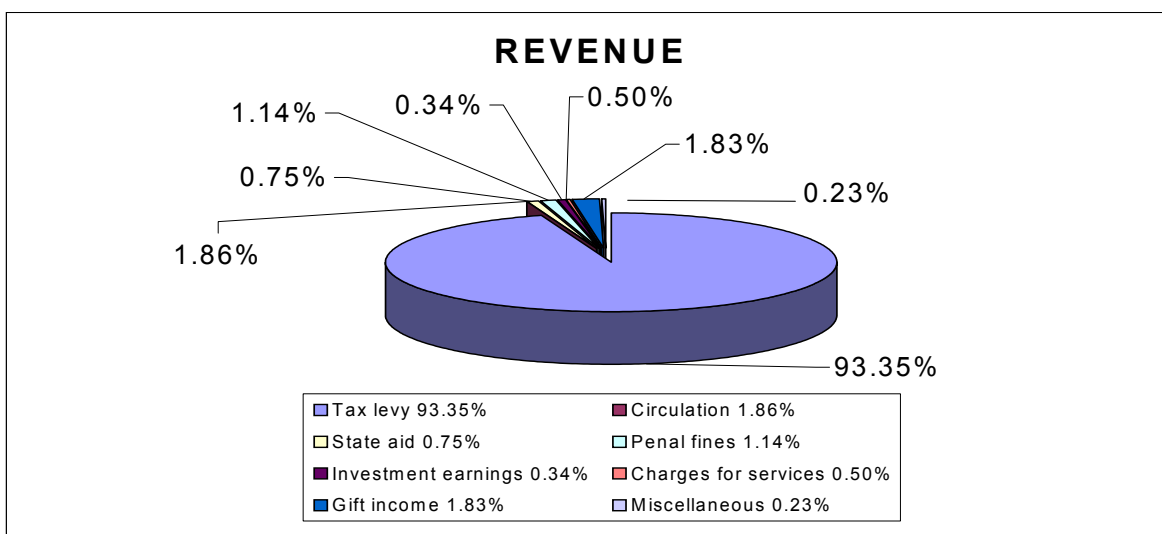
Karen Kotulis-Carter, Library Director  
Bloomfield Township Public Library  
1099 Lone Pine Road  
Bloomfield Hills, MI 48302-2410  
(248) 642-5800

# Bloomfield Township Public Library

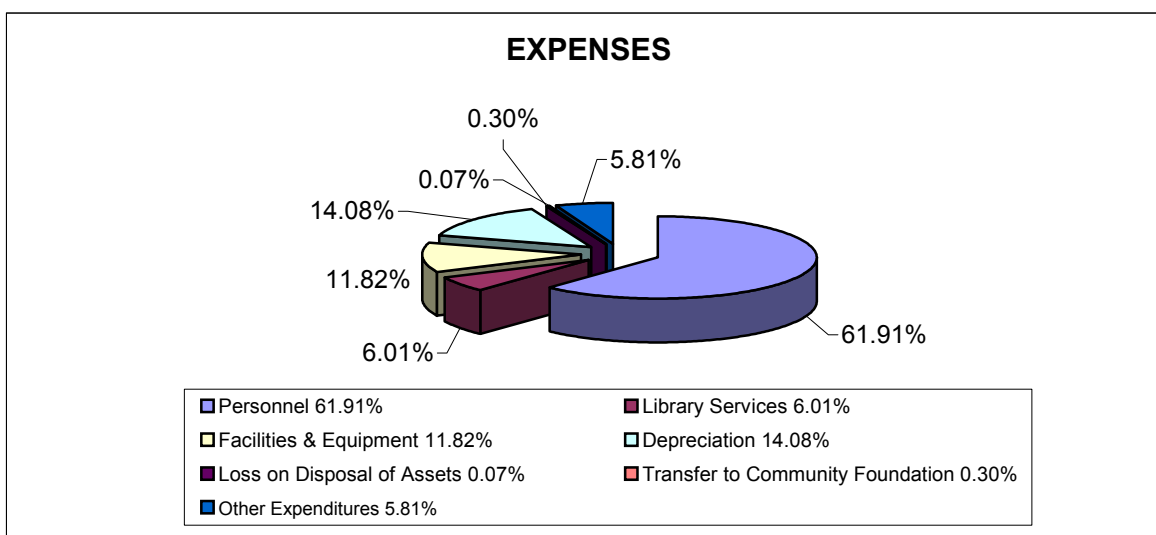
## Library Management's Discussion and Analysis (Continued) Fiscal Year April 1, 2004 through March 31, 2005

### The Library as a Whole

The Library's net assets increased by \$23,507,126 this year. The primary reason for the increase was the receipt of bond proceeds (\$22,875,000) from Bloomfield Township as approved by Bloomfield Township voters in August 2004. Excluding the bond proceeds, the major components of revenue and expenses are described below.



The library's primary source of revenue (93.35 percent) is property taxes, as shown in the chart above, as audited March 31, 2005.



Salaries and fringes continue to be a major expense for the Library as shown in the chart above, as audited March 31, 2005.

# **Bloomfield Township Public Library**

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## **Library Management's Discussion and Analysis (Continued)** **Fiscal Year April 1, 2004 through March 31, 2005**

In 2004-2005, four new positions (two part-time Youth Services librarians and clerical assistants in Administration and Circulation) were added, a position was increased to full-time (Administrative Services clerk), and additional hours were given to entry-level page positions (Technical Services). The proficiency level salary/wage schedule was adjusted to reflect the Board of Trustees' revised compensation philosophy and current wage comparisons. Employees who have reached their peak proficiency level received merit awards, which averaged 4 percent. No new benefits were added in 2004-2005. Health insurance, offered only to full-time employees, continued to significantly increase in cost, consistent with the health insurance industry. In addition, an increase in the retirement cost overall is due to the adjustment required to include the lump-sum merit pay as part of wages earned (consistent with other Township units, but not heretofore included in the definition of retirement earnings, since the inception of the revised compensation and benefit plan of 2000).

This year saw substantial increases in the materials budgets. Program and equipment expenditures were incorporated in the operating budget once again. Previously, these expenses were paid from other funds (Gift and Improvement and Revolving) in response to the budget reductions brought about through eroded operating millages until the increased and renewed millage approvals of August 2002. Most significant in 2004-2005 was the inclusion of all operating-type expenditures in the General Fund budget, rather than some paid from the Improvement and Revolving Fund and some from the General Fund. All operating-type expenditures - for equipment, general maintenance, and similar day-to-day, even unanticipated, expenses - are now included in the General Fund's expenditures.

### **The Library's Funds**

The budgetary analysis of three of the four library funds - General Fund, Improvement and Revolving Fund, and Gift Fund, but not the Construction Fund - is included on pages 26-28. After discussion with our auditors at Plante & Moran, PLLC, the Library Board approved the reconfiguration of all fund accounts to create functional categories. Both the presentation and monthly approval of the trustees was simplified as a result.

Page 26 shows the General Fund, the Library's major operating fund, including revenues and expenditures, excess of revenue over expenditures, and fund balance.

The actual excess of revenue over expenditures (before operating transfers) of the General Fund was \$470,858, as compared to \$1,429,889 in the prior year. Particular effort was made again in 2004-2005 to address fund balance and to assure coverage of the Library's necessary expenditures in advance of receipt of the largest portion of revenue - property taxes, which are received 10 months into the fiscal year. This, coupled with the inclusion of all operating-type expenditures in the General Fund, through budget amendments during the year, resulted in substantially less excess revenue than the prior year.

# **Bloomfield Township Public Library**

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## **Library Management's Discussion and Analysis (Continued)** **Fiscal Year April 1, 2004 through March 31, 2005**

As noted above, the largest use of resources during the 2004-2005 fiscal year was for personnel - salaries and fringe benefits. This is typical of service organizations that are open to the public seven days a week, year round.

Pages 27 and 28 show budgetary analysis of the Improvement and Revolving Fund (I&R) and the Gift Fund. The I&R Fund shows a fund balance of \$1,670,965, a decrease of \$1,089,851. Again, the inclusion of all operating-type expenditures in the operating budget resulted in a transfer from the I&R Fund to the General Fund of \$1,884,525. A total of \$730,421 was transferred from the General Fund back to the I&R Fund in order to achieve the desired fund balance in the General Fund.

The Gift Fund shows an increased fund balance, as gifts are being held as requested by the donors to be used for furnishings and equipment in the renovated and expanded library. While \$88,288 was expended from the Gift Fund, the fund balance at the close of the fiscal year totals \$153,445. Several substantial gifts of \$2,000 to \$40,000 are expected to be used at the conclusion of the renovation and expansion in 2008.

### **Library's Budgetary Highlights**

Over the course of the year, the Library Board of Trustees amended the four funds' budgets to address unplanned needs and events that occurred during the year. The most significant amendments occurred in contributions and donations to the Gift Fund and the inclusion of operating-type expenditures in the General Fund which were formerly budgeted in the Improvement and Revolving Fund. The General Fund amendments addressed approval of personnel proposals after the fiscal year's budget was established in March 2004 and shifts within the Library Services category to provide more electronic and audiovisual materials, consistent with increased availability and increased demand.

The General Fund saw increases over the original budgeted revenue in all lines, except penal fines, which were paid at a reduced rate from the prior year and reflected the loss of the penal fines from the City of Bloomfield Hills' contract for library services, and circulation revenue.

### **Capital Assets and Long-term Debt Activity**

At the end of the fiscal year, the Library had \$7,118,988 invested in land, building and improvements, furniture and equipment, books, and materials, including media. The Library added \$517,834 in new collection items, consisting of new books, various audiovisual materials, including a new collection of MP3s for adults, and a book club collection for youth. This does not include subscriptions to electronic materials and services. A total of \$335,945 was spent to replace furniture and equipment, primarily computer technology, including completing the equipment purchases of Year Two of the RFID project, completing the audiovisual room shelving and added adult and youth book shelving projects, and an upgraded telephone system with all new phones and servers. A total of \$54,628 was spent on building and site improvements, specifically to complete the reshingling of three pavilions.

# **Bloomfield Township Public Library**

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## **Library Management's Discussion and Analysis (Continued)** **Fiscal Year April 1, 2004 through March 31, 2005**

In accordance with the Library's Fixed Asset Disposal Policy, the items in both the materials collection and furnishings and equipment which were still of some use, but not library use, were either donated to the Friends of the Library for their monthly and semiannual used book sales or offered to residents of Bloomfield Township first (and other library users and area libraries second) at the Library's annual used equipment sale. The value of deletions of materials from the collection amounted to \$276,908; the value of removed furnishings and equipment amounted to \$54,470.

The Library's long-term debt activity consists of capped accumulated compensated employee absences (sick leave) to be paid to employees upon retirement (age 55, with eight full years of service).

In August 2004, Bloomfield Township voters approved the Library improvements ballot proposal which allowed for \$22,875,000 of bonded debt for the Charter Township of Bloomfield, in order to renovate and expand the 40-year-old library. The Township agreed to permit the Library to manage the Construction Fund, which was established immediately following the sale of the bond which occurred in November 2004. The Construction Fund's investments are managed by Gregory Schwartz and Company for the Library, and follow the Township's investment policy.

### **Next Year's Anticipated Budget Factors**

As the 2005-2006 fiscal year opened, the Library was involved in legal action brought against the Library to force the sale of nonresident cards. As of this writing, the Oakland County Circuit Court has ruled in favor of the Library. Legal costs already incurred and anticipated from the appeals process are likely to require amendment of the General Fund budget.

To prepare for a building open throughout renovation, service desks, collections, and public seating areas will be relocated and temporarily limited to confined spaces. As a result, the General Fund budget of 2005-2006 includes no increases for materials which take up space on a shelf and no additions of space-consuming equipment. Instead, increased emphasis on remote access to library electronic resources, electronic services, and upgrades in computer equipment to permit faster service, are incorporated into the budget in order to meet the increasing demand of the community for information.

Controlled spending on all items is planned to provide for increased excess revenue over expenditures, and an increased transfer out from the General Fund to the Improvement and Revolving Fund. This philosophy of conservative preparation will address even greater, unanticipated increases in required construction materials costs or unforeseen obstacles to the successful completion of the 30-month renovation and expansion project.

# **Bloomfield Township Public Library**

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## **Library Management's Discussion and Analysis (Continued)** **Fiscal Year April 1, 2004 through March 31, 2005**

### **Reviewing the Financial Statements**

The basic financial statements on pages 9-12 include information that presents two different views of the Library using the modified-accrual and full-accrual methods.

The first four columns of the financial statements include information of the Library's General fund, Improvement and Revolving Fund, Gift Fund, and Construction Fund under the modified-accrual method. The modified-accrual basis focuses on current financial resources and provides a more detailed view about the accountability of the Library's sources and uses of funds.

The adjustment column of the financial statements represents adjustments necessary to convert the modified-accrual financial statements to the Library as a Whole financial statements under the full-accrual method. The full-accrual basis focuses on long-term economic resources.

The Library as a Whole column provides both long-term and short-term information about the Library's overall financial status. The Library as a Whole statement of net assets - full-accrual basis column and the Library as a Whole statement of activities - full-accrual basis column provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These columns tell how these services were financed in the short term, as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The condensed financial information section on page 8 shows data comparative with the prior year. Please note that the Construction Fund is not included in the prior year column, as the fund was created in November 2004.

# Bloomfield Township Public Library

## Library Management's Discussion and Analysis (Continued) Fiscal Year April 1, 2004 through March 31, 2005

### Condensed Financial Information

The tables below show key financial information under the full-accrual method in a condensed format. Note: Amounts and totals reported are for all Library activities, including general operations, improvements, gift, and construction - to give a complete picture.

TABLE 1	March 31, 2005	March 31, 2004
<b>Assets</b>		
Current assets	\$ 28,185,391	\$ 5,259,999
Capital assets	<u>7,118,988</u>	<u>6,175,786</u>
Total assets	35,304,379	11,435,785
<b>Liabilities</b>		
Current liabilities	992,330	667,246
Other noncurrent liabilities	<u>243,778</u>	<u>207,394</u>
Total liabilities	<u>1,236,108</u>	<u>874,640</u>
<b>Net Assets</b>		
Investment in capital assets	7,118,988	6,175,786
Restricted for gifts	101,086	81,310
Restricted for construction	22,109,294	-
Unrestricted	<u>4,738,903</u>	<u>4,304,049</u>
Total net assets	<u><b>\$ 34,068,271</b></u>	<u><b>\$ 10,561,145</b></u>

TABLE 2	Year Ended March 31, 2005	Year Ended March 31, 2004
<b>Revenue</b>		
Property taxes	\$ 5,062,141	\$ 4,895,620
Construction funding	22,875,000	-
Other	<u>360,921</u>	<u>513,517</u>
Total revenue	28,298,062	5,409,137
<b>Expenses</b>	<u>4,790,936</u>	<u>4,251,412</u>
<b>Changes in Net Assets</b>	<u><b>\$ 23,507,126</b></u>	<u><b>\$ 1,157,725</b></u>

# Bloomfield Township Public Library

	Individual Library Funds				
	General Fund	Improvement and Revolving Fund	Gift Fund	Construction Fund	Total - Modified- Accrual Basis
<b>Assets</b>					
Cash and cash equivalents (Note 4)	\$ 4,861,886	\$ 132,180	\$ 162,625	\$ 829,186	\$ 5,985,877
Investments (Note 4)	-	808,364	-	21,382,233	22,190,597
Accounts receivable	1,390	-	-	-	1,390
Other assets	7,527	-	-	-	7,527
Due from General Fund/internal balances	-	730,421	-	-	730,421
Capital assets (Note 6)	-	-	-	-	-
Total assets	<u>\$ 4,870,803</u>	<u>\$ 1,670,965</u>	<u>\$ 162,625</u>	<u>\$ 22,211,419</u>	<u>\$ 28,915,812</u>
<b>Liabilities</b>					
Accounts payable	\$ 291,487	\$ -	\$ 9,180	\$ 102,125	\$ 402,792
Due to Bloomfield Township	424,000	-	-	-	424,000
Accrued and other liabilities	33,829	-	-	-	33,829
Compensated absences - Current portion	-	-	-	-	-
Due to Improvement and Revolving Fund/Internal balances	730,421	-	-	-	730,421
Compensated absences - Net of current portion	-	-	-	-	-
Total liabilities	1,479,737	-	9,180	102,125	1,591,042
<b>Fund Balances</b>					
Reserved for restricted gifts	-	-	101,086	-	101,086
Reserved for construction	-	-	-	22,109,294	22,109,294
Unreserved - Undesignated	3,391,066	1,670,965	52,359	-	5,114,390
Total fund balances	3,391,066	1,670,965	153,445	22,109,294	27,324,770
Total liabilities and fund balances	<u>\$ 4,870,803</u>	<u>\$ 1,670,965</u>	<u>\$ 162,625</u>	<u>\$ 22,211,419</u>	<u>\$ 28,915,812</u>
<b>Net Assets</b>					
Invested in capital assets					
Restricted for gifts					
Restricted for construction					
Unrestricted					
Total net assets					

**Individual Funds Balance Sheets/Statement of Net Assets**  
**March 31, 2005**

	Library as a Whole	
GASB No. 34 Adjustments (Note 2)	Statement of Net Assets - Full Accrual Basis	
\$ -	\$ 5,985,877	
-	22,190,597	
-	1,390	
-	7,527	
(730,421)	-	
<u>7,118,988</u>	<u>7,118,988</u>	
6,388,567	35,304,379	
-	402,792	
-	424,000	
-	33,829	
131,709	131,709	
(730,421)	-	
<u>243,778</u>	<u>243,778</u>	
(354,934)	1,236,108	
(101,086)	-	
(22,109,294)	-	
<u>(5,114,390)</u>	<u>-</u>	
<u>(27,324,770)</u>	<u>-</u>	
7,118,988	7,118,988	
101,086	101,086	
22,109,294	22,109,294	
<u>4,738,903</u>	<u>4,738,903</u>	
<u><b>\$ 34,068,271</b></u>	<u><b>\$ 34,068,271</b></u>	

# Bloomfield Township Public Library

	Individual Library Funds				
	General Fund	Improvement and Revolving Fund	Gift Fund	Construction Fund	Total - Modified- Accrual Basis
<b>Revenue</b>					
Tax levy	\$ 5,062,141	\$ -	\$ -	\$ -	\$ 5,062,141
Construction funding from Bloomfield Township	-	-	-	22,875,000	22,875,000
Circulation revenue	100,901	-	-	-	100,901
State aid	40,933	-	-	-	40,933
Penal fines	61,664	-	-	-	61,664
Investment earnings (loss) (Note 4)	34,670	24,253	1,660	(41,948)	18,635
Charges for services	27,002	-	-	-	27,002
Gift income	-	-	99,189	-	99,189
Miscellaneous	11,872	-	725	-	12,597
<b>Total revenue</b>	<b>5,339,183</b>	<b>24,253</b>	<b>101,574</b>	<b>22,833,052</b>	<b>28,298,062</b>
<b>Expenditures</b>					
Personnel	2,912,567	-	-	-	2,912,567
Library services	769,849	-	35,843	-	805,692
Facilities and equipment	927,275	-	29,367	-	956,642
Other expenditures	258,634	-	19,568	723,758	1,001,960
Transfer to community foundations	-	-	3,510	-	3,510
Depreciation	-	-	-	-	-
Loss on disposal of assets	-	-	-	-	-
<b>Total expenditures</b>	<b>4,868,325</b>	<b>-</b>	<b>88,288</b>	<b>723,758</b>	<b>5,680,371</b>
<b>Excess of Revenue Over Expenditures</b>	<b>470,858</b>	<b>24,253</b>	<b>13,286</b>	<b>22,109,294</b>	<b>22,617,691</b>
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	1,844,525	730,421	-	-	2,574,946
Operating transfers out	(730,421)	(1,844,525)	-	-	(2,574,946)
<b>Total other financing sources (uses)</b>	<b>1,114,104</b>	<b>(1,114,104)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Uses/Change in Net Assets</b>	<b>1,584,962</b>	<b>(1,089,851)</b>	<b>13,286</b>	<b>22,109,294</b>	<b>22,617,691</b>
<b>Fund Balance/Net Assets - Beginning of year</b>	<b>1,806,104</b>	<b>2,760,816</b>	<b>140,159</b>	<b>-</b>	<b>4,707,079</b>
<b>Fund Balance/Net Assets - End of year</b>	<b>\$ 3,391,066</b>	<b>\$ 1,670,965</b>	<b>\$ 153,445</b>	<b>\$ 22,109,294</b>	<b>\$ 27,324,770</b>

**Individual Funds Statements of Revenue, Expenditures, and Changes  
in Fund Balance/Statement of Activities  
Year Ended March 31, 2005**

GASB No. 34 Adjustments (Note 2)	Library as a Whole Statement of Activities - Full- Accrual Basis
\$ -	\$ 5,062,141
-	22,875,000
-	100,901
-	40,933
-	61,664
-	18,635
-	27,002
-	99,189
-	12,597
-	28,298,062
53,767	2,966,334
(517,834)	287,858
(390,573)	566,069
(723,758)	278,202
-	3,510
674,528	674,528
14,435	14,435
(889,435)	4,790,936
889,435	23,507,126
(2,574,946)	-
2,574,946	-
-	-
889,435	23,507,126
5,854,066	10,561,145
<u>\$ 6,743,501</u>	<u>\$ 34,068,271</u>

# **Bloomfield Township Public Library**

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## **Notes to Financial Statements March 31, 2005**

### **Note I - Summary of Significant Accounting Policies**

The accounting policies of the Bloomfield Township Public Library (the "Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Library:

#### **Reporting Entity**

The Library, a component unit of the Charter Township of Bloomfield, is governed by an autonomous six-member board of trustees. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in the Library's financial report.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The Library's basic financial statements include both the Library as a Whole and its individual fund financial statements.

#### **Library as a Whole Financial Statements**

The Library as a Whole financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which is described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The statement of activities includes depreciation on long-term assets and eliminates capital outlay expense.

# **Bloomfield Township Public Library**

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## **Notes to Financial Statements March 31, 2005**

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

As a general rule, the effect of interfund activity has been eliminated from the library-wide financial statements.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the library-wide statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

#### **Fund Financial Statements**

The Library's individual fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting, which is described below.

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

The Library reports the following major governmental funds:

**General Fund** - The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

**Improvement and Revolving Fund** - The Improvement and Revolving Fund accounts for the accumulation of resources for needs as determined by the board.

**Gift Fund** - The Gift Fund accounts for gifts and donations given to the Library. The majority of these items are restricted for specific purposes by the donor.

**Construction Fund** - The Construction Fund accounts for the investment of bond proceeds as well as all expenditures relating to the Library Improvements Project.

# Bloomfield Township Public Library

## Notes to Financial Statements March 31, 2005

### Note 1 - Summary of Significant Accounting Policies (Continued)

#### Assets, Liabilities, and Net Assets or Equity

**Cash and Investments** - The Library considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investments are recorded at fair value as of March 31, 2005, based on quoted market prices.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds."

**Property Taxes** - All trade and property tax receivables are shown as net of allowance for uncollectible amounts, if deemed necessary. Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The 2004 taxable valuation of the property subject to the Library's millage totaled approximately \$3.4 billion, on which ad valorem taxes levied consisted of 1.4944 mills for the Library's operating purposes. The ad valorem taxes levied raised approximately \$5,062,000 for operations and is recognized in the General Fund financial statements as tax revenue.

**Capital Assets** - Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, furniture and equipment, and library books, periodicals, and videos are depreciated using the straight-line method over the following useful lives:

Buildings	40-60 years
Furniture and equipment	10 years
Library books and AV materials	3-7 years

**Due to Bloomfield Township** - Bloomfield Township processes payroll and retirement benefits for the Library. Due to Bloomfield Township represents the required transfer of funds to the Township for payment of the Library's March payroll as well as the Library's retirement contribution for the year, which totaled \$122,583.

# **Bloomfield Township Public Library**

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## **Notes to Financial Statements March 31, 2005**

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Compensated Absences (Vacation and Sick Leave)** - It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay is accrued when incurred in the library-wide financial statements. A liability for these amounts is reported in governmental funds only for eligible employee terminations as of year end.

**Fund Balance** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### **Note 2 - Reconciliation of the Library as a Whole and the Individual Fund Financial Statements**

Total fund balances and the net change in fund balances of the Library's individual funds differ from net assets and change in net assets of the Library as a whole reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current focus of the statement of the individual governmental funds' balance sheets and statements of revenue, expenditures, and change in fund balance. The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

# Bloomfield Township Public Library

## Notes to Financial Statements March 31, 2005

### Note 2 - Reconciliation of the Library as a Whole and the Individual Fund Financial Statements (Continued)

**Total Fund Balance - Modified Accrual Basis** \$ 27,324,770

Amounts reported in the statement of net  
assets are different because:

Capital assets are not financial resources  
and are not reported in the funds 7,118,988

Compensated absences are included  
as a liability:

Current portion	\$ (131,709)	
Long-term portion	(243,778)	(375,487)

**Total Net Assets - Full Accrual Basis** \$ 34,068,271

**Excess of Revenue and Other Financing Sources Over  
(Under) Expenditures and Other Uses/Change in  
Net Assets - Modified Accrual Basis** \$ 22,617,691

Amounts reported in the statement of activities are  
different because:

Governmental funds report capital outlays as  
expenditures in the statement of activities; these  
costs are allocated over their estimated useful lives  
as depreciation:

Library books and audiovisual materials	517,834
Capital outlay	1,114,331
Depreciation	(674,528)

Loss on the disposal of capital assets reported in the  
statement of activities but not in the fund financial  
statements (14,435)

Increase in the accrual for long-term compensated  
absences reported as an expenditure in the  
statement of activities but not in the fund  
financial statements (53,767)

**Excess of Revenue and Other Financing Sources Over  
(Under) Expenditures and Other Uses/Change in  
Net Assets - Full Accrual Basis** \$ 23,507,126

# **Bloomfield Township Public Library**

## **Notes to Financial Statements March 31, 2005**

### **Note 3 - Budget Information**

The annual budget is prepared and adopted by the Library board and subsequent amendments are approved by the Library board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2005 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that operating transfers have been budgeted in the revenue and expenditures rather than as other financing sources and uses. During the current year, the budget was amended in a legally permissible manner.

The budget has been adopted on a functional basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund and major Special Revenue Funds can be found in the required supplemental information section.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, there were no expenditures in excess of the amounts budgeted.

### **Note 4 - Deposits and Investments**

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library has designated five banks for the deposit of Library funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in the following instruments:

- I. In bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest are fully guaranteed by the United States. This subdivision shall include securities issued or guaranteed by the Government National Mortgage Association.

# Bloomfield Township Public Library

## Notes to Financial Statements March 31, 2005

### Note 4 - Deposits and Investments (Continued)

2. In certificates of deposit, savings accounts, investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation, or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union meets all criteria as a depository of public funds contained in state law.

The breakdown of deposits for the Library is as follows:

	<u>Balance Sheet Category</u>		
	<u>Cash and Cash</u>		
	<u>Equivalents</u>	<u>Investments</u>	<u>Total</u>
Deposits	\$ 5,985,877	\$ 2,225,752	\$ 8,211,629
Investments	-	19,964,845	19,964,845
Total	<u>\$ 5,985,877</u>	<u>\$ 22,190,597</u>	<u>\$ 28,176,474</u>

#### Deposits

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$8,218,926. Of that amount, approximately \$301,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Library evaluates each financial institution with which it deposits Library funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# Bloomfield Township Public Library

## Notes to Financial Statements March 31, 2005

### Note 4 - Deposits and Investments (Continued)

#### Investments

The Library is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles. The Library's investments are categorized below to give an indication of the level of risk assumed by the entity at March 31, 2005. Risk Category 1 includes those investments that meet any one of the following criteria:

- a. Insured
- b. Registered
- c. Held by the Library or its agent

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Library's name. Category 3 includes investments held by:

- a. The counterparty
- b. The counterparty's trust department (or agent) but not in the Library's name

At year end, the Library's entire investment balance of \$19,964,845 (at fair value) was categorized as U.S. government securities, Category 3.

At March 31, 2005, the fair value and cumulative unrealized loss on the Library's investments were as follows:

	Original Cost/ Donated Value	Fair Value	Unrealized Loss
U.S. government securities	\$ 20,085,415	\$ 19,964,845	\$ (120,570)

# Bloomfield Township Public Library

## Notes to Financial Statements March 31, 2005

### Note 4 - Deposits and Investments (Continued)

Investment earnings resulted from the following:

Unrealized loss on investments - End of year	\$ (120,570)
Other investment income - Interest, dividends, and realized gains	<u>139,205</u>
Total investment earnings	<u>\$ 18,635</u>

### Note 5 - Assets Held at Community Foundation

There are four endowment funds that are administered by the Community Foundation for Southeastern Michigan (CFSEM) for the benefit of the Library. The CFSEM is a public charity that is funded through donations by a large number of contributors. Although the Library does not control the funds at the CFSEM, by agreement, the purpose of the funds is to provide support and furtherance of specific programs and activities of the Bloomfield Township Public Library. Accordingly, the Library has not recorded these funds in this financial report. Revenue is recorded when distributions are received from the CFSEM.

Two of the funds, the Bloomfield Township Public Library Endowment Fund and the Yvonne Y. Atkinson Fund, were established by the Library.

Two additional endowment funds have named Bloomfield Township Public Library as the recipient. These funds are the Lawrence Smith and Isabel Francis Smith Challenge Grant Fund and the Jeanette P. Myers Memorial Scholarship Fund.

A summary of changes in assets held at CFSEM is as follows:

	Bloomfield Township Public Library Endowment Fund	Yvonne Y. Atkinson Fund	Lawrence Smith and Isabel Francis Smith Challenge Grant Fund	Jeanette P. Myers Memorial Scholarship Fund	Total
<b>Balance</b> - January 1, 2004	\$ 18,353	\$ 22,438	\$ 20,088	\$ 11,447	\$ 72,326
Contributions	575	112	3,907	365	4,959
Distributions	-	-	-	(500)	(500)
Investment earnings	<u>2,189</u>	<u>2,682</u>	<u>2,839</u>	<u>1,360</u>	<u>9,070</u>
<b>Balance</b> - December 31, 2004	<u>\$ 21,117</u>	<u>\$ 25,232</u>	<u>\$ 26,834</u>	<u>\$ 12,672</u>	<u>\$ 85,855</u>

# Bloomfield Township Public Library

## Notes to Financial Statements March 31, 2005

### Note 6 - Capital Assets

Capital asset activity of the Library was as follows:

	Balance April 1, 2004	Additions	Disposals and Adjustments	Balance March 31, 2005
Capital assets not being depreciated:				
Land	\$ 131,015	\$ -	\$ -	\$ 131,015
Construction in process	165,244	723,758	-	889,002
Subtotal	296,259	723,758	-	1,020,017
Capital assets being depreciated:				
Building	5,428,892	54,628	-	5,483,520
Furniture and equipment	2,016,532	335,945	(54,470)	2,298,007
Library books and audiovisual materials	2,724,041	517,834	(276,908)	2,964,967
Subtotal	10,169,465	908,407	(331,378)	10,746,494
Less accumulated depreciation	(4,289,938)	(674,528)	316,943	(4,647,523)
Net capital assets being depreciated	5,879,527	233,879	(14,435)	6,098,971
Net capital assets	\$ 6,175,786	\$ 957,637	\$ (14,435)	\$ 7,118,988

Capital assets, including library books, are recorded at cost. Depreciation expense was \$674,528 for the year ended March 31, 2005.

**Construction Commitments** - The Library is undergoing a complete renovation and constructing a major structural addition (the "Library Improvements Project") over the next three years. The process is still in the design phase as of March 31, 2005.

The Library Improvements Project is being funded with the proceeds from bonds issued by Bloomfield Township totaling \$22,875,000. Bloomfield Township is responsible for the debt service related to these bonds, which will be paid for by property taxes levied consisting of .4900 mills.

# Bloomfield Township Public Library

## Notes to Financial Statements March 31, 2005

### Note 6 - Capital Assets (Continued)

At year end, the Library's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Architectural and engineering	\$ 315,188	\$ 1,260,752
Construction management	-	1,131,500
Interior design	50,114	283,886
Technology design	23,861	135,214
Owner's representative	56,731	68,269
Total	<u>\$ 445,894</u>	<u>\$ 2,879,621</u>

### Note 7 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library participates with Bloomfield Township in its risk management program to cover these risks.

### Note 8 - Pension Plan

**Plan Description** - Qualified, full-time employees of the Bloomfield Township Public Library are covered by the Township of Bloomfield Retirement Income Plan (the "Plan"), which is a cost-sharing single employer defined benefit pension plan covering all the governmental units of the Township of Bloomfield (the "Township"). The Plan provides retirement benefits for employees attaining age 50 with full vesting. The Plan issues a publicly available report that is included in the general purpose financial statements of the Township of Bloomfield. That report may be obtained by writing to Bloomfield Township, 4200 Telegraph Road, Bloomfield Hills, Michigan 48302.

**Funding Policy** - The obligation to contribute to and maintain the system for these employees was established by a resolution of the Library's board of directors and requires a contribution from the employees of 5 percent of gross wages. The Township is required to contribute at actuarially required rates; the current rate is 25.97 percent of covered payroll. The Township's contributions to the pension plan for the years ended March 31, 2004, 2003, and 2002 were \$3,381,768, \$2,577,674, and \$2,271,559, respectively, and were equal to the actuarially required contributions for each year.

# **Bloomfield Township Public Library**

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## **Notes to Financial Statements March 31, 2005**

### **Note 9 - Postemployment Benefits**

Qualified, retired employees of the Bloomfield Township Public Library are also provided health and life insurance benefits through the Township of Bloomfield. The Township finances the plan on a pay-as-you-go basis. There are 10 retired Library employees included in the plan, which amounted to \$63,993 of expenditures by the Library during the year ended March 31, 2005.

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the Library as a Whole to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending March 31, 2009.

## **Required Supplemental Information**

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# Bloomfield Township Public Library

## Required Supplemental Information Budgetary Comparison Statement General Fund Year Ended March 31, 2005

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
<b>Revenue</b>				
Tax levy	\$ 5,035,397	\$ 5,060,005	\$ 5,062,141	\$ 2,136
Penal fines	72,012	61,664	61,664	-
State aid	18,586	40,933	40,933	-
Circulation revenue	111,794	98,862	100,901	2,039
Charges for services	26,914	26,041	27,002	961
Investment earnings	14,392	31,047	34,670	3,623
Miscellaneous	523,780	1,856,397	1,856,397	-
Total revenue	5,802,875	7,174,949	7,183,708	8,759
<b>Expenditures</b>				
Personnel	2,967,763	3,007,763	2,912,567	95,196
Library services	832,917	774,827	769,849	4,978
Facilities and equipment	634,655	1,046,986	927,275	119,711
Other operating expenditures	527,278	989,055	989,055	-
Total expenditures	4,962,613	5,818,631	5,598,746	219,885
<b>Excess of Revenue Over Expenditures</b>	840,262	1,356,318	1,584,962	228,644
<b>Fund Balance - Beginning of year</b>	1,691,958	1,806,104	1,806,104	-
<b>Fund Balance - End of year</b>	<u>\$ 2,532,220</u>	<u>\$ 3,162,422</u>	<u>\$ 3,391,066</u>	<u>\$ 228,644</u>

# Bloomfield Township Public Library

## Required Supplemental Information Budgetary Comparison Statement - Major Special Revenue Fund Improvement and Revolving Fund Year Ended March 31, 2005

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
<b>Revenue</b>				
Interest	\$ 25,917	\$ 23,018	\$ 24,253	\$ 1,235
Transfers in	<u>268,589</u>	<u>389,242</u>	<u>730,421</u>	<u>341,179</u>
Total revenue	294,506	412,260	754,674	342,414
<b>Expenditures</b>				
Facilities and equipment	581,332	-	-	-
Other operating expenditures	<u>580,350</u>	<u>1,844,525</u>	<u>1,844,525</u>	<u>-</u>
Total expenditures	<u>1,161,682</u>	<u>1,844,525</u>	<u>1,844,525</u>	<u>-</u>
<b>Excess of Expenditures Over Revenue</b>	(867,176)	(1,432,265)	(1,089,851)	342,414
<b>Fund Balance - Beginning of year</b>	<u>1,765,085</u>	<u>2,760,816</u>	<u>2,760,816</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 897,909</u></u>	<u><u>\$ 1,328,551</u></u>	<u><u>\$ 1,670,965</u></u>	<u><u>\$ 342,414</u></u>

# Bloomfield Township Public Library

## Required Supplemental Information Budgetary Comparison Statement - Major Special Revenue Fund Gift Fund Year Ended March 31, 2005

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
<b>Revenues</b>				
Gift income	\$ 500	\$ 99,051	\$ 99,189	\$ 138
Investment earnings	2,410	1,611	1,660	49
Miscellaneous	-	725	725	-
Total revenues	2,910	101,387	101,574	187
<b>Expenditures</b>				
Library services	13,727	38,887	35,843	3,044
Facilities and equipment	5,619	29,367	29,367	-
Other operating expenditures	5,223	23,080	23,078	2
Total expenditures	24,569	91,334	88,288	3,046
<b>Excess of Revenue Over (Under)</b>				
<b>Expenditures</b>	(21,659)	10,053	13,286	3,233
<b>Fund Balance - Beginning of year</b>	136,453	140,159	140,159	-
<b>Fund Balance - End of year</b>	<u>\$ 114,794</u>	<u>\$ 150,212</u>	<u>\$ 153,445</u>	<u>\$ 3,233</u>

May 5, 2005

To the Finance Committee of  
the Board of Directors  
Bloomfield Township Public Library  
1099 Lone Pine Road  
Bloomfield Hills, MI 48302-2410

Dear Committee Members:

We have recently completed our audit of the financial statements for the Bloomfield Township Public Library for the year ended March 31, 2005. As a result of our audit, we offer the following observations and comments for your consideration:

- During our audit and in subsequent discussions, we looked at the Library's policy regarding wire transfers. Although the Library has a policy regarding phone transfers, it appears that the current policy may not have all of the elements required by PA 738 of 2002. We have provided as an attachment to this letter, a copy of the act and a sample policy and resolution that you may wish to consider. In particular, section 124.303 spells out the required elements which should be included in the Library's policy.
- Per the July 20, 2004 board minutes, \$1,500 from the Improvement and Revolving Fund was used for the staff holiday party. According to Michigan Compiled Law, as summarized on the Michigan Department of Treasury website, normally, holiday parties or food cannot be paid for or purchased for employees unless it is for a public purpose (i.e., firefighters, public meetings, dedicating public buildings, etc.). If the public were invited to the holiday celebration, the expenditure may be looked at differently. We urge the Library's management team and board to carefully consider such expenditures in the future. A copy of the State's guidelines titled "*Determining Lawful Expenditures*" can be found on the Department of Treasury's website.
- There are several bank accounts at Comerica Bank in the Library's name for various Library departments or social groups (approx. \$2,900). These bank accounts operate outside the Library's internal control structure and are not recorded in the general ledger. We encourage the Library to either close these accounts or record them in the general ledger.
- The Library's current policy does not require any form of board or director approval for purchases under \$20,000, the bid threshold. We suggest implementing an approval process for large purchases under the bid threshold.

To the Finance Committee of  
the Board of Directors  
Bloomfield Township Public Library

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May 5, 2005

We would like to thank the Library personnel for the courtesy and assistance extended to us during the audit. We would be happy to answer any questions or concerns you have regarding the annual financial report and the above comments and recommendations at your convenience.

Very truly yours,

**Plante & Moran, PLLC**



Leslie J. Pulver



Brian J. Camiller